

News Release



Controller of the State of California - Kathleen Connell

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FOR IMMEDIATE RELEASE

STATE WELFARE AND MEDI-CAL PAYMENTS POTENTIALLY HALTED BY RESTRAINING ORDER

*Connell Pleased With Majority of Court's Ruling, but Concerned About Future Impact
Will Not Seek Writ to Overturn Decision*

SACRAMENTO, July 10, 1998 -- After a successful day in court which temporarily allows State Controller Kathleen Connell to continue payments to state employees and payments for other vital state functions, the Controller expressed concern that other important programs may not be as fortunate. Specifically, the ability to make CalWorks (formerly AFDC) and future Medi-Cal provider payments may be jeopardized.

"Our primary objective in defense of this lawsuit was to protect the authority to pay innocent Californians during the budget stalemate -- and we prevailed," said Connell. "The State has prevailed on the most significant issues -- payment of approximately one-half million public sector retirees, 250,000 public employees, schools, and debt service on the outstanding \$34 billion of state General and Revenue bonds. This order has spared many Californians from unnecessary suffering that would have resulted from an adverse ruling.

"Though I am pleased that the judge overwhelmingly agreed with my authority to make these key payments, there remains some ambiguity as to my ability to continue disbursements to some state services that were left unprotected by the court's ruling."

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The lawsuit, brought by the Howard Jarvis Taxpayers' Association, sought to end *all* state payments in the absence of a budget. Los Angeles Superior Court Judge Robert H. O'Brien issued a temporary restraining order (TRO) that ruled against a majority of the complaints brought by the Jarvis group -- but did not absolutely protect payments to the two programs. A July 21 hearing was ordered, at which time the judge will decide if his ruling should continue or be modified. The Attorney General's Office represented the Controller on the matter and, on advice of legal counsel, she will not seek a writ to overturn the court's decision.

"We are seeking clarification from the Attorney General's Office as to the reach of this decision. However, the importance of this preliminary ruling, should it stand, is that it could be binding for many years to come," Connell said. "As currently written, in the future my office would be forced to halt payments to Medi-Cal providers and CalWorks payments in the absence of a budget. Given the length of past stalemates, this could pose serious consequences for these services."

Following is the schedule of estimated major payments that would be missed under the TRO:

7/13 \$20 million -- Department of Social Services (DSS) county administration payment to counties for CalWorks administration, child welfare services, foster care, food stamps administration, administrative expenses for IHSS and various automation projects.

7/20 \$136 million -- DSS county administration payment to counties for CalWorks administration, child welfare services, foster care, food stamps administration, administrative expenses for IHSS and various automation projects..

7/30 \$718 million -- DSS payments to counties for Cash Assistance to Families and Children.

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